



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

LEA MÁRQUEZ PETERSON - Chairwoman  
SANDRA D. KENNEDY  
JUSTIN OLSON  
ANNA TOVAR  
JIM O'CONNOR

FEB 1 2 2021

DOCKETED BY ad

In the matter of:

) DOCKET NO. S-21105A-20-0114

) DAVID PAUL FRENCH, a single man,

) DECISION NO. 77908

) SUN STATE PROPERTY  
) PRESERVATION, LLC, an Arizona limited  
) liability company,

) **ORDER TO CEASE AND DESIST, ORDER  
) FOR RESTITUTION, ORDER FOR  
) ADMINISTRATIVE PENALTIES AND  
) ORDER FOR OTHER AFFIRMATIVE  
) ACTION**

) WATTENBERG, L.L.C., an Arizona limited  
) liability company,

) **AGAINST: WATTENBERG 1, LLC**

) WATTENBERG 1, LLC, a New Mexico  
) limited liability company,

) Respondents.  
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On May 1, 2020, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Order for other Affirmative Action (the "Notice") against Respondents Wattenberg 1, LLC and others.

On May 14, 2020, the Division served a copy of the Notice, upon NM Corporate Services, LLC, the registered agent of Wattenberg 1, LLC, by delivering to NM Corporate Services, LLC via certified mail. On October 20, 2020, the Division served a copy of the Notice, upon Sharon Depriest the organizer of Wattenberg 1, LLC, by delivering to Sharon Depriest via certified mail. On October 19, 2020, the Division served two copies of the Notice, via certified mail, upon the New Mexico Office of Secretary of State, pursuant to New Mexico Statutes Annotated § 38-1-5. No request for a hearing or answer to the Notice has been filed as of January 19, 2021.

**I.****FINDINGS OF FACT**

1. Wattenberg 1, LLC (“Wattenberg 1”) was organized in the state of New Mexico on October 15, 2012. Wattenberg 1 is a member-managed limited liability company that had offices, at all relevant times, in Arizona and four other states. Wattenberg 1 was organized by Sharon Depriest, and from at least July of 2015 until at least January of 2019, Michael French<sup>1</sup> was a managing member of Wattenberg 1. Wattenberg 1 has not been registered with the Commission as a securities salesman or dealer.

2. At all relevant times, David Paul French (“French”) was an unmarried man, and a resident of Arizona. French and Michael French were brothers. French has not been registered with the Commission as a securities salesman or dealer.

3. Sun State Property Preservation, LLC (“Sun State”) is a member-managed limited liability company that was organized in the state of Arizona on March 11, 2015. Sun State’s is based in Phoenix, Arizona, and has not been registered with the Commission as a securities salesman or dealer.

4. Wattenberg, L.L.C. (“Wattenberg”) is a member-managed limited liability company that was organized in the state of Arizona on January 28, 2019. Wattenberg is based in Phoenix, Arizona, and has not been registered with the Commission as a securities salesman or dealer.

5. French is a managing member of Sun State, and Wattenberg.

6. Wattenberg 1 may be referred to as “Respondent.”

7. From January of 2018, through January of 2019, Wattenberg 1, French, and others offered and sold stock, units or shares (“Stock”) within or from Arizona, to at least nineteen investors, of which one of the investors was an Arizona resident. During the relevant time-period, the investors collectively invested approximately \$453,880. Those who were offered investments will be referred herein as “Offeree(s)” and those who invested will be referred to as “Investor(s).”

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<sup>1</sup> On January 13, 2019, Michael French passed away.

8. During the relevant time-period, French acted on behalf of Wattenberg 1 and contacted Offerees and/or Investors through emails and telephone calls and offered and sold Stock in BluBox Energy, LLC (“BluBox Energy”) and BluBox Power Company.

9. BluBox Energy, LLC was formed on May 18, 2012, and throughout the years it went through different variations, including BluBox Power Company. BluBox Energy and BluBox Power Company may be referred to collectively as “Old BluBox.”

10. Old BluBox dissolved on April 26, 2017.

11. From January of 2018, until January of 2019, Wattenberg 1, French, and Michael French offered and sold Stock in Old BluBox via Wattenberg 1’s purchase agreements (“Purchase Agreements”). During the relevant time-period, Investors entered into “Purchase Agreements,” involving seller Wattenberg 1 and signor Michael French, for the purpose of purchasing Stock in Old BluBox.

12. Wattenberg 1 compensated French for selling Old BluBox Stock to the Investors via Wattenberg 1’s Purchase Agreements.

**Wattenberg 1’s Purchase Agreements**

13. The Purchase Agreements included the following declarations:

a) “...the Seller shall sell, convey, transfer, and deliver to the Purchaser Member Certificates representing such units, and the Purchaser shall purchase from the Seller the Company’s Units in consideration of the purchase price set forth in this Agreement;”

b) “Company [Old BluBox] is a company duly organized, validly existing and in good standing under the laws of the State of Nevada and has the company power and authority to carry on its business as it is now being conducted;” and

c) “Seller [Wattenberg 1] is the lawful owner of the Units [in the company], free and clear of all security interests, liens, encumbrances, equities and other charges.”

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1 **Investors' funds and stock certificates**

2 14. From January 2018, through January 2019, nineteen Investors invested \$453,880 in  
3 Wattenberg 1's securities offerings; in exchange Wattenberg 1 misrepresented to most of the  
4 Investors that it would to "convey, transfer, and deliver" stock certificates in Old BluBox to them.  
5 However, Wattenberg 1 failed to deliver any of the promised stock certificates in Old BluBox to  
6 these Investors.

7 15. Wattenberg 1 failed to disclose the following to the Investors: (1) At all relevant  
8 times, Old BluBox was a dissolved entity; and (2) There was little-to-no value in Old BluBox Stock.

9 16. From February 1, 2018, to December 19, 2018, Wattenberg 1 sent to Sun State's  
10 business account at least \$182,950, the vast majority of which, if not all, were the Investors' funds.  
11 At all times relevant, French was the signor or Sun State's business account.

12 17. The Investors collectively invested \$453,880 and have not received any money back.

13 **II.**

14 **CONCLUSIONS OF LAW**

15 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
16 Arizona Constitution and the Securities Act.

17 2. Respondent offered or sold securities within or from Arizona, within the meaning of  
18 A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

19 3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were  
20 neither registered nor exempt from registration.

21 4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither  
22 registered as a dealer or salesman nor exempt from registration.

23 5. Respondent violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice  
24 to defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging  
25 in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.  
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6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

### III.

## ORDER

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent shall, jointly and severally with Respondents David Paul French, Sun State Property Preservation, LLC, and Wattenberg, L.L.C. under Docket No. S-21105A-20-0114, pay restitution to the Commission in the principal amount of \$453,880 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the date of purchase until the date of this Order, subject to any legal offsets, pursuant to A.A.C. R14-4-308(C).

IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

1       The Commission shall disburse the funds on a pro-rata basis to investors shown on the records  
2 of the Commission. Any restitution funds that the Commission cannot disburse because an investor  
3 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor  
4 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors  
5 shown on the records of the Commission. Any funds that the Commission determines it is unable to  
6 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

7       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent shall pay an  
8 administrative penalty in the amount of \$35,000 as a result of the conduct set forth in the Findings  
9 of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be  
10 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

11       IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding  
12 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per  
13 annum that is equal to one per cent plus the prime rate as published by the board of governors of the  
14 federal reserve system in statistical release H. 15 or any publication that may supersede it on the date  
15 that the judgment is entered.

16       IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be  
17 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments  
18 shall be applied to the penalty obligation.

19       IT IS FURTHER ORDERED, that if Respondent fails to comply with this order, the  
20 Commission may bring further legal proceedings against Respondent, including application to the  
21 superior court for an order of contempt.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRWOMAN MÁRQUEZ PETERSON

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER TOVAR

COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 12 day of February, 2021.

MATTHEW J. NEUBERT  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail [cdbuck@azcc.gov](mailto:cdbuck@azcc.gov).

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1 SERVICE LIST FOR: Wattenberg 1, LLC et al.

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3 3900 Juan Tabo NE  
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5 *Registered Agent for Respondent Wattenberg 1, LLC*

6 Sharon Depriest  
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9 *Organizer for Respondent Wattenberg 1, LLC*

10 New Mexico Office of the Secretary of State  
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12 Santa Fe, NM 87501  
13 *Agent for Respondent Wattenberg 1, LLC*

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19 *Preservation, LLC*